(d) Since FBT is justified both on the principles of vertical and horizontal equity, there is no case for scrapping it.

Use of foreign exchange reserve on infrastructure building

†1554. SHRI UDAY PRATAP SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government are contemplating on making use of foreign exchange reserve in construction of basic infrastructure of the country;

(b) if so, the details thereof;

(c) whether Government are also contemplating on providing foreign exchange to some major industrialists; and

(d) the amount of total foreign exchange reserve available in the country at present?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Yes, Sir, Government is examining one of the recommendations of the Deepak Parekh Committee on financing infrastructure i.e. to use a small part of the foreign exchange reserves without the risk of monetary expansion. The Committee has suggested the establishment of two wholly-owned overseas subsidiaries of IIFCL with the following objectives:

(i) to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and

(ii) to borrow funds from the RBI, invest such funds in highly rated collateral securities, and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

The loans by RBI to these two subsidiary companies will be guaranteed by the Government of India and the RBI will be assured of a return higher than the average rate of return on its incremental investment. Government proposes to examine the legal and regulatory aspects of the

†Original notice of the question was received in Hindi.

recommendation, in consultation with RBI, in order to find an innovative method of enhancing the financial resources for infrastructure.

(c) No Sir. There is no such proposal.

(d) India's total foreign exchange reserves (including Gold, SDRs and Reserve Tranche Position in IMF) as on February 23, 2007 was US $ 193,124 million.

Improper banking policies towards micro rural finance

1555. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the statement made by Noble Prize winner, Professor Mohammed Yunus, in which he criticized about our banking system and according to him suicidal cases of poor farmers are growing only due to improper banking policies towards micro rural finance in our country;

(b) if so, what is Government's reaction thereto; and

(c) the details of steps taken or proposed to be taken by Government for improving banking system particularly for poor and needy persons in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The suicidal cases of poor farmers are happening due to many reasons, credit may be one of them.

(c) An Institutional Credit delivery mechanism is already in place in India to extend credit to large number of borrowers including the poor. The reach of these institutions is being further increased through various policy measures by the Government/RBI such as the Business Correspondent and Business Facilitator models and SHG-Bank Linkage Programme. It has been announced in the budget for 2007-08 that a Financial Inclusion Fund with NABARD will be formed for meeting the cost of developmental and promotional interventions for Financial Inclusion. Further, it has been announced to establish a Financial Inclusion Technology Fund to meet the cost of Technology adoption. Each fund will have an overall corpus of